

**SUBJECT: Broadband Grant Program;
The Rural Utilities Service
United States Department of Agriculture**

**Comments by the Arctic Slope Telephone Association Cooperative
4300 B Street, Suite 501, Anchorage, Alaska 99503**

**Delivered to: Richard Annan
Acting Director
Program Development and Regulatory Analysis
Rural Utilities Service
United States Department of Agriculture
1400 Independence Avenue, SW.
Room 5168-S
Washington, DC 20250-1522**

Filed via email and FedEx on June 14, 2004

INTRODUCTION

There is perhaps no more difficult place to deliver modern telecommunications services than in rural, arctic Alaska. Few could argue that Congress did not intend the benefits of the Rural Utilities Service (RUS) broadband grant program to extend to places like rural Alaska. Alaskans endure the most extreme conditions, and Alaskan providers of modern telecommunications services must overcome challenges that do not exist anywhere else in the nation.

Arctic Slope Telephone Association Cooperative, Inc. (ASTAC) has been providing telephone service to the North Slope of Alaska since 1979. Our service territory extends across geography larger than the State of Minnesota. Based on our experience and desire to see the broadband grant program serve Alaska, ASTAC offers the following comments on the Proposed Rule for the Broadband Grant Program - Community Connect Grant Program. We urge specific changes in the proposed rule to accommodate the unique circumstances that make the delivery of broadband service to rural Alaskans so difficult.

There are four principal areas which should be addressed and/or clarified in the final rule, at least with regards to applications from Alaska. Those are

- 1) The definition of community;
- 2) The criteria used to determine need;
- 3) The services covered; and,
- 4) The requirement of “free services” to critical community facilities.

In creating this program, the Congress specifically referenced the eligibility requirements of the RUS Distance Learning and Telemedicine (DLT) program. Many of the solutions to these problems could be found by following the DLT model and as in DLT, allow the

flexibility to provide and consider alternate data to demonstrate the need and merit of a project. At a minimum, the final rule should announce that the Administrator will take Alaska's unique circumstances into consideration when evaluating and ranking projects from Alaska.

1) THE TERM COMMUNITY SHOULD NOT BE LIMITED TO A SINGLE ALASKA VILLAGE. A MORE FLEXIBLE DEFINITION SHOULD BE ADOPTED WITH WEIGHTED SCORING SIMILAR TO THE DISTANCE LEARNING TELEMEDICINE PROGRAM.

Sec. 1739.11(b) of the proposed rule requires that a project "(s)erve one Community recognized in the latest U.S. Census."

The initiative by RUS to facilitate the provision of local access, dial-up Internet and, subsequently, local access broadband Internet service in rural remote communities is based on the generally valid assumption that even remote, rural communities in most states are reasonably proximate to affordable inter-exchange transport of necessary bandwidth. That is, a 'typical' rural, remote community would experience only a moderate incremental cost to access a copper, fiber or terrestrial microwave point of presence in order to connect that community to the Internet at acceptable/necessary bandwidth capacity.

The situation in rural Alaska and, specifically, the North Slope Borough, is quite different. First, this municipal community (borough) compares in size to the entire State of Minnesota, yet it has a total population of fewer than 10,000 persons. It has eight permanent communities not interconnected by road, fiber, cable or microwave. There is only one means of access to inter-community telecommunications, and that is satellite. The comparable cost for that access is \$14,000 per month for a T-1 via satellite for a North Slope village versus \$ 1,300 to \$3,500 per month for a T-1 connection to a small village in rural North Dakota.

However, the cost issue, although significant, is not the only problem. The lack of proximity to affordable transport means that the actual network is missing. A group of rural, remote small towns in Montana or New Mexico have in common their access and interconnectivity to the PSTN and the Internet. The villages of the North Slope Borough do not have such affordable access or interconnectivity for broadband telecommunications.

Thus, if the provision of an affordable, fully interconnected transport network is needed, then the provision of broadband access to a single village is like one hand clapping. A 'network' must have at least two elements and, if the common community that is constituted by this North Slope region is to be equitably provided with broadband access, then it is the network itself that must be provisioned. It must be economically viable and fully meshed. If accomplished, the regional, remote, rural community becomes provisioned with broadband service, access and interconnection. The RUS broadband

grant program should take this factor into account when evaluating, scoring and ranking projects from Alaska.

While, the definition for “Community” found in section 1739.3 includes the term “borough,” ASTAC seeks clarification that proposed broadband service to the eight permanent villages in the North Slope Borough would meet the definition of “community.” We also ask that scoring be comparable to that used in the RUS Distance Learning and Telemedicine program, where the rurality of the project is the weighted average of the remote sites.

2) PER CAPITA INCOME ALONE DOES NOT ADEQUATELY REFLECT THE LEVEL OF ECONOMIC HARDSHIP THAT EXISTS IN RURAL ALASKA AND COULD OPERATE TO UNFAIRLY UNDERScore MERITORIOUS ALASKA PROJECTS.

Per capita income is a highly imperfect measure of economic hardship, especially for Alaska communities. A more relevant measure of need and economic circumstance is per capita income compared to the local cost of living. By some measures some Alaskans may appear to have a high per capita income. However, the cost of living in Alaska, especially in remote Alaska is many times higher than anywhere else in the United States. For example, a gallon of milk costs \$7.99 or more in ASTAC’s North Slope service area, if it is available at all.

In addition, because of the rule of small numbers, the effect of a few moderate income families living among largely subsistence family has a disproportionate affect on the per capita income of a small village. Consider, for example, if Bill Gates were to move to a small poor rural community. With nothing else changing, that community would immediately become one of the wealthiest communities in the United States.

At a minimum, applicants should be permitted to submit additional information to establish need and economic hardship. That additional information should be fully considered in scoring applications.

3) RULES SHOULD BE CLEAR THAT INFRASTRUCTURE INVESTMENTS AND LONG TERM LEASES NECESSARY TO REDUCE HIGH TRANSPORT COSTS ARE FULLY ELIGIBLE FOR GRANT SUPPORT AND THAT NO IMPEDIMENTS ARE PLACED ON SATELLITE SOLUTIONS.

The conditions, which make broadband service prohibitively expensive in rural communities in the lower 48, are the reverse of conditions that make it expensive in remote Alaska. In Alaska, lack of Internet and broadband service is not generally a "last mile" problem because villages themselves are generally well provisioned with local network facilities. It is getting the Internet to an access point in the village that is the barrier to broadband. Villages in turn are separated by oceans of land and snow. Individual villages are not connected by road, fiber or cable. Satellite offers the only pathway to the Internet.

The RUS rules should clearly accommodate long-haul infrastructure and satellite technologies. If satellite technologies are directly or indirectly excluded from grant eligibility, rural Alaska will effectively be barred from the program. Congress has been clear that the RUS broadband program should be administered in a technologically neutral manner.

4) THE PROPOSED RULE REQUIRING “FREE” BROADBAND SERVICE TO SCHOOLS, LIBRARIES AND RURAL HEALTH CARE FACILITIES RUNS COUNTER TO E-RATE RULES, POSES REAL WORLD CHALLENGES TO SUSTAINABILITY, AND DOES NOT GIVE APPLICANTS SUFFICIENT FLEXIBILITY TO CREATE SOLUTIONS WHICH CAN WORK IN THE LOCAL ENVIRONMENT. APPLICANTS SHOULD BE REQUIRED TO OFFER SERVICE TO CRITICAL COMMUNITY FACILITIES BUT BE GIVEN COMPLETE FLEXIBILITY IN DESIGNING INCENTIVE PLANS SUITABLE FOR LOCAL CIRCUMSTANCES.

While ASTAC embraces the concept of community-oriented connectivity and is committed to ensuring public safety access to broadband, the proposed rule is a “one size fits all” solution which does not fit rural Alaska. We propose a more flexible approach to the provision of free or discounted services.

The definition of Critical Community Facility as contained in 1739.3 poses conflicts with existing government support programs such as USAC’s E-Rate and Rural Health Care support mechanisms. Schools, libraries and rural health care facilities should not be required to exit the e-rate program, carriers should not be allowed to double dip from both programs. The RUS broadband grant program should not encourage violation of e-rate rules. The broadband grant program can and should be feathered into the requirements of other federal and state programs. That can be accomplished by a more flexible approach to connecting critical community facilities.

A series of federal investigations have been launched in response to accusations that telecommunications providers have been offering to waive, rebate or otherwise relieve e-rate recipients from paying their local cost share for services contrary to e-rate service and competitive bidding rules. The proposed rules give applicants an impossible choice: opt out of the e-rate program to get “free service;” use the broadband program to violate the local share requirements of the e-rate program; or opt out of the RUS broadband grant program.

The proposed rule also runs contrary to fact that government entities are among those most able to afford broadband services. Public sector customers are important anchor tenants for broadband service and are key to long term project sustainability.

In Alaska, we have a long history of working with “free” government programs and have found that sustainability is a real problem. ASTAC is concerned that the duration as a free service will, in the end, lessen overall adoption of broadband service. It can also be

argued that providing large scale access to free broadband is inconsistent with other federal policies. Federal telecommunications law requires rural and urban citizens have access to comparable services at comparable rates to those in urban areas and that rates, be just reasonable and affordable.

There is a better way to accomplish the goals of the community connect program. ASTAC recommends that applicants offer broadband service to all critical community facilities, that applicants have the flexibility to offer a package of discounted or limited term introductory free service to subscribers or classes of subscribers and/or offer free installation, training and technical assistance to subscribers.

Our proposal for an optimum introduction period for broadband is based on our experience introducing other new services. It addresses user perceptions of the value associated with receiving “free” services for varying lengths of time. We have observed better results in having customers retain features, for instance, when the trial offer is of shorter duration and where there is some investment made by the customer. There seems to be less urgency to try (and learn how to use) features when there is a long trial period without any user investment. When asked about why they have decided to cancel the service at the end of the trial period, most customers replied that they never used the feature. When we charge the monthly recurring fee but waive installation costs, retention is greater.

For many technologies, installation and customer premise equipment costs are the real barrier to service, not monthly recurring fees.

The best advertising in rural Alaska, where there are limited media options (our serving area has one weekly newspaper covering the region), is word of mouth. Yet the buzz the early adopters create over broadband will only go on so long, after which it becomes yesterday’s news. Long term extension of free broadband service will position it, while still in its infancy, as a price sensitive commodity in the consumer’s mind, before its long term value can be demonstrated. Broadband should become fee based after a short duration, discounted introductory period, while there is still broadband curiosity. It should also be introduced as a value-added experience, not a no-cost commodity.

There is a better way to introduce broadband to our rural market. ASTAC is in favor of making broadband available to all critical community facilities and would like to propose a somewhat expanded methodology beyond that described in the Broadband Grant narrative for introduction of broadband to the community.

While we believe provisioning free broadband to the critical community center will enable rural residents (some of whom having never surfed the Internet at broadband speeds or owned a PC) the opportunity to experience both, the initiative should not stop there. Community center hours are typically daytime and evening hours. Based on our dial up user usage patterns, those hours of operation do not overlay well with the peak Internet demand by our subscribers.

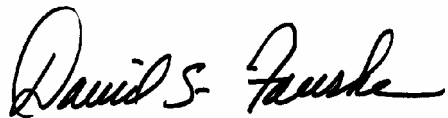
Flexibility to use discounted connectivity on a per household basis would provide working adults and children in school the opportunity to access broadband at the place and time of their choosing. More users experience broadband per broadband connection this way. The community center would still serve rural residents who do not own a PC or those who need a little extra help learning to navigate the on-line experience.

We would propose a hybrid concept of community-oriented connectivity that would provide the community center with one year's worth of free connectivity, free installation for critical community facilities, and complete flexibility to distribute discounts across the subscriber base.

CONCLUSION

RUS understands better than any federal agency that the challenges to rural service are uniquely linked to the conditions of particular rural areas. The RUS also has a long history working with infrastructure in Alaska. The broadband grant program should fully take the knowledge and experience into account and recognize that what works for the Mississippi Delta is different from what works in the prairie and both are different from what works in arctic Alaska.

We strongly urge the RUS to make changes in the proposed rule so that the broadband grant program gives adequate recognition to the unique characteristics and pressing needs of rural Alaskans. The key to accommodating all these concerns is flexibility to present and consider data which accurately describes the needs and barriers to broadband and the ability to fund plans which address those specific needs.

A handwritten signature in black ink, reading "David S. Fauske". The signature is fluid and cursive, with the first name "David" being the most prominent part.

David S. Fauske, General Manager
Arctic Slope Telephone Association Cooperative, Inc.